CSR Conference

Defense Logistics Agency's Transformation

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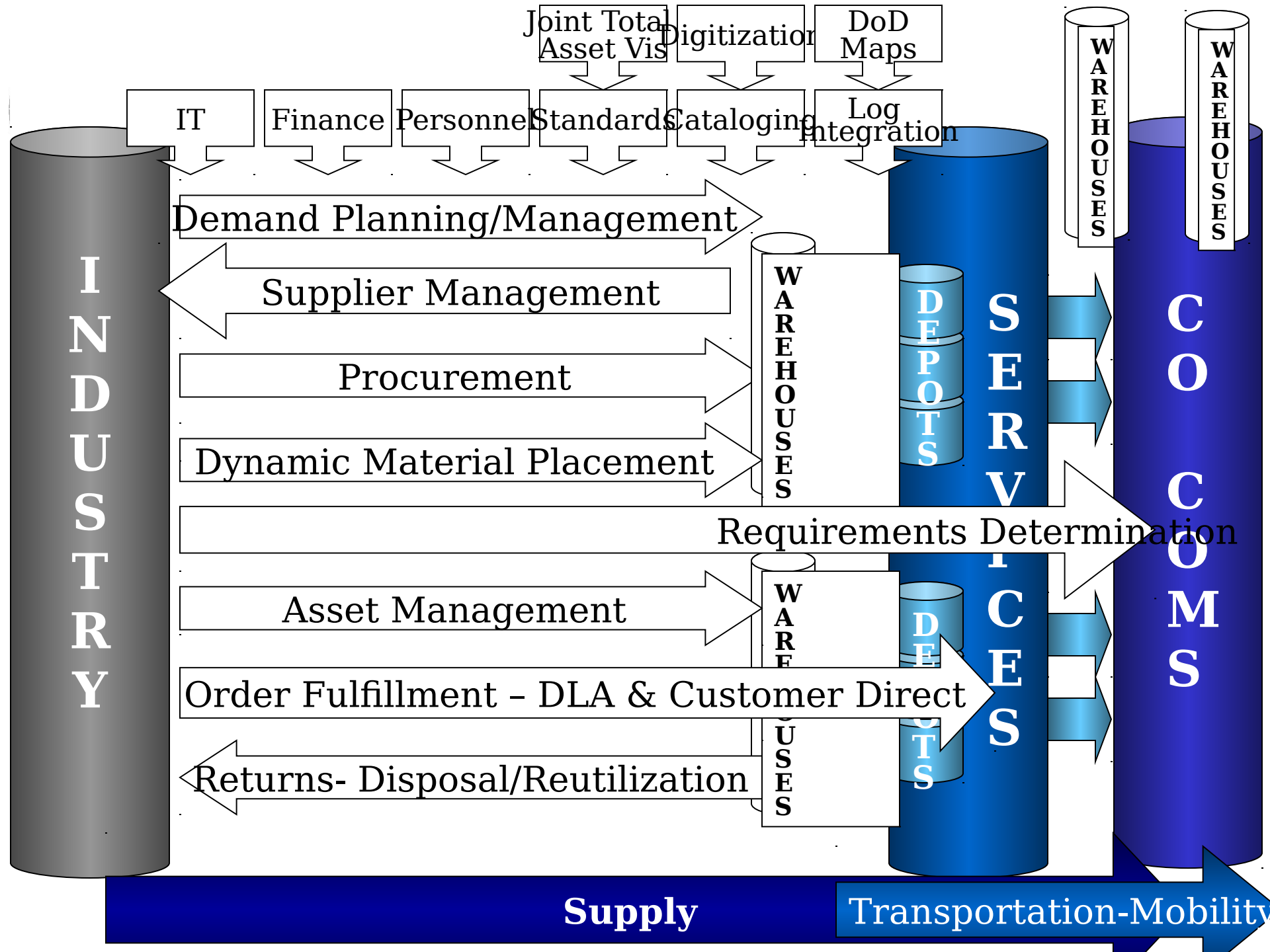
Discussion Points

- The Agency
- Transformation
- Looking Ahead
- Summary

The Agency


Joint Total Asset Vis
Digitization
DoD Maps
IT
Finance
Personnel
Standards
Cataloging
Log Integration
WAREHOUSES
WAREHOUSES
INDUSTRY
Demand Planning/Management
Supplier Management
Procurement
Dynamic Material Placement
WAREHOUSES
DEPOTS
SERVICES
Requirements Determination
COCOMS
Asset Management
Order Fulfillment – DLA & Customer Direct
Returns- Disposal/Reutilization
Supply
Transportation-Mobility

Defense Logistics Agency

DoD's Combat Logistics Support Agency

FY 02 Sales/Services: $21.5B
FY 03 Sales/Services: $25B
FY 04 Projection: $28.9B

- **Energy: $ 5.2B**

Distribution: $ 2.2B

- **Other: $ 1.4B**

~95% of service's repair parts 100% of service's subsistence, fuels, medical, clothing & textile, construction & barrier

Scope of Business

- **45,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#54 Fortune 500 – Above Northrop Gr**
- **#2 in Top 50 Distribution Warehous**
- **23 Distribution Depots**
- **5.2 Million Items**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **147.7M Barrels Fuel Sold (FY 03)**
- **$12.5B Annual Reutilizations/Dispos**

Foreign Military Sales

- **Sales: $719M**
- **Shipments: 580K**
- **Supporting 124 Nations**

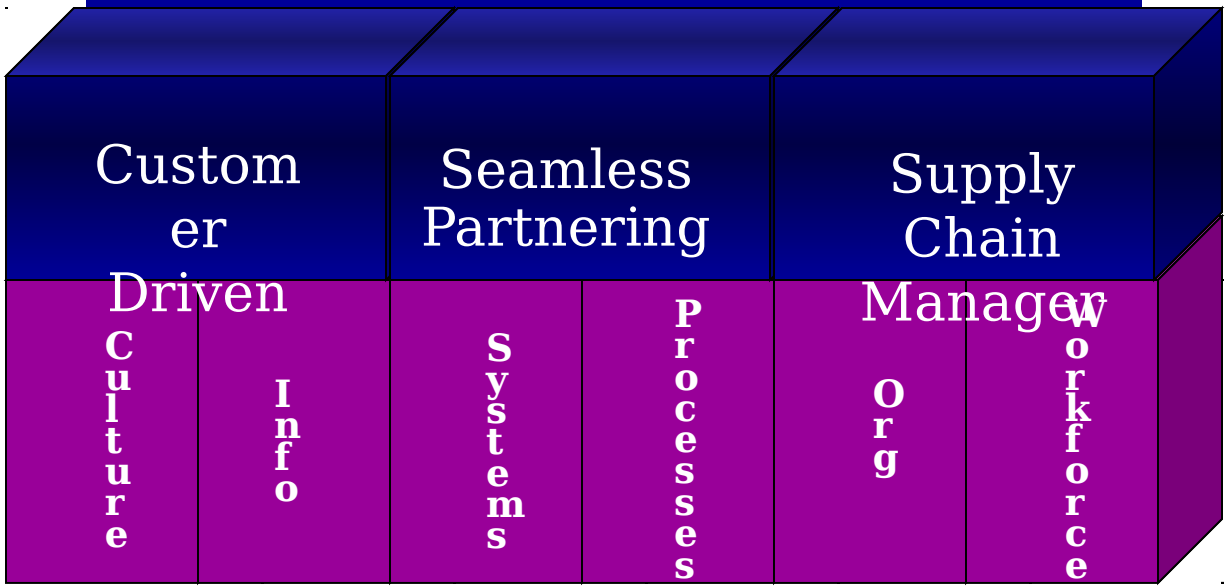
People

- **21,462 Civilians**
- **525 Active Duty Military**
- **637 Reserve Military**
- **Located in 48 States/28 Countries**

The Transformation

Transformation
The Business Model

Transformation Agency Attributes



The Transformation – Key Initiatives

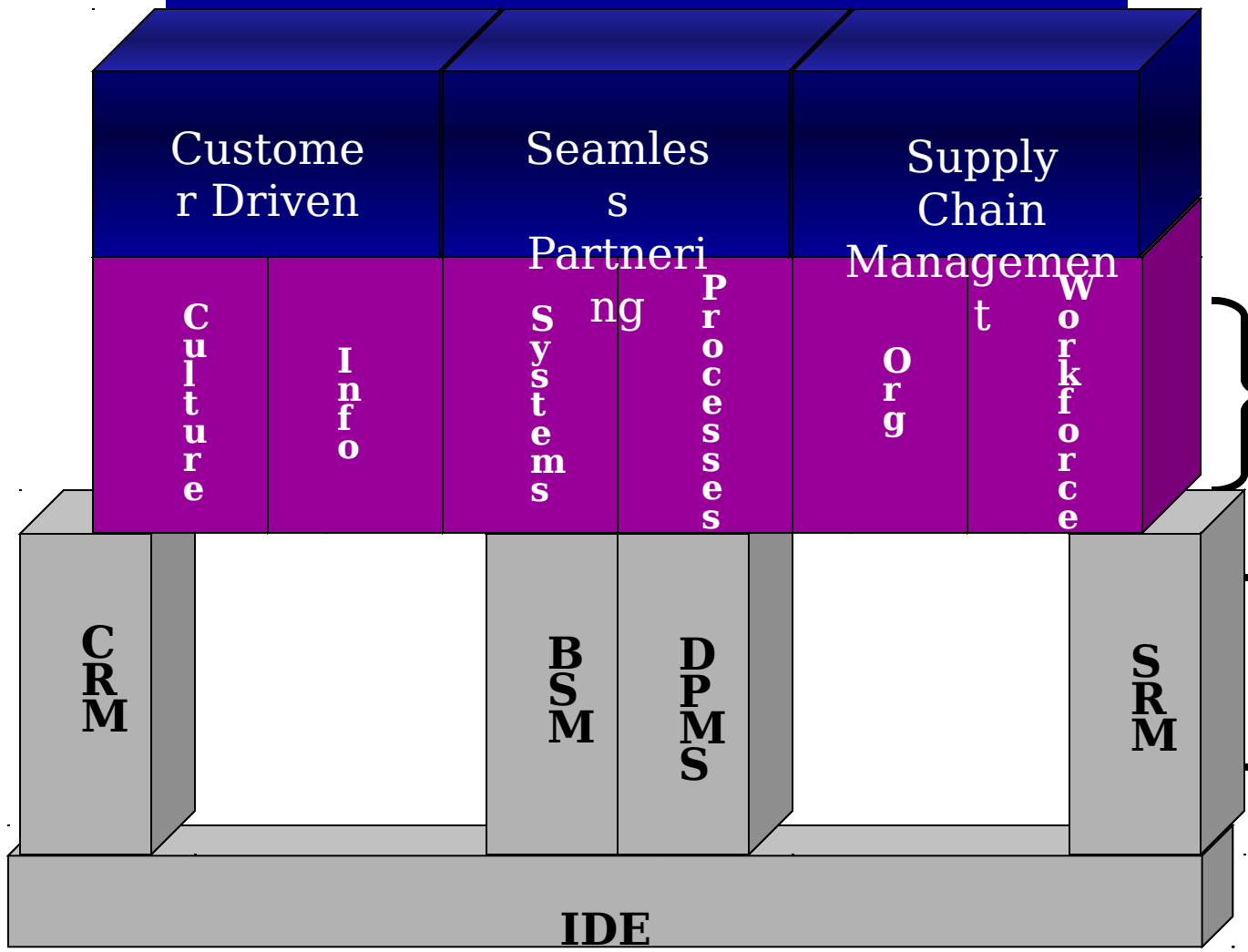
- **Customer Relationship Management, … CRM**
  - **Integrating into military services' logistics planning, management and execution cycles for DLA materiel & services**
  - **Understanding war fighter's <u>future</u> environment**
  - **Establishing Performance Level Agreements**
  - **Gaining mastery of war fighters' future requirements**

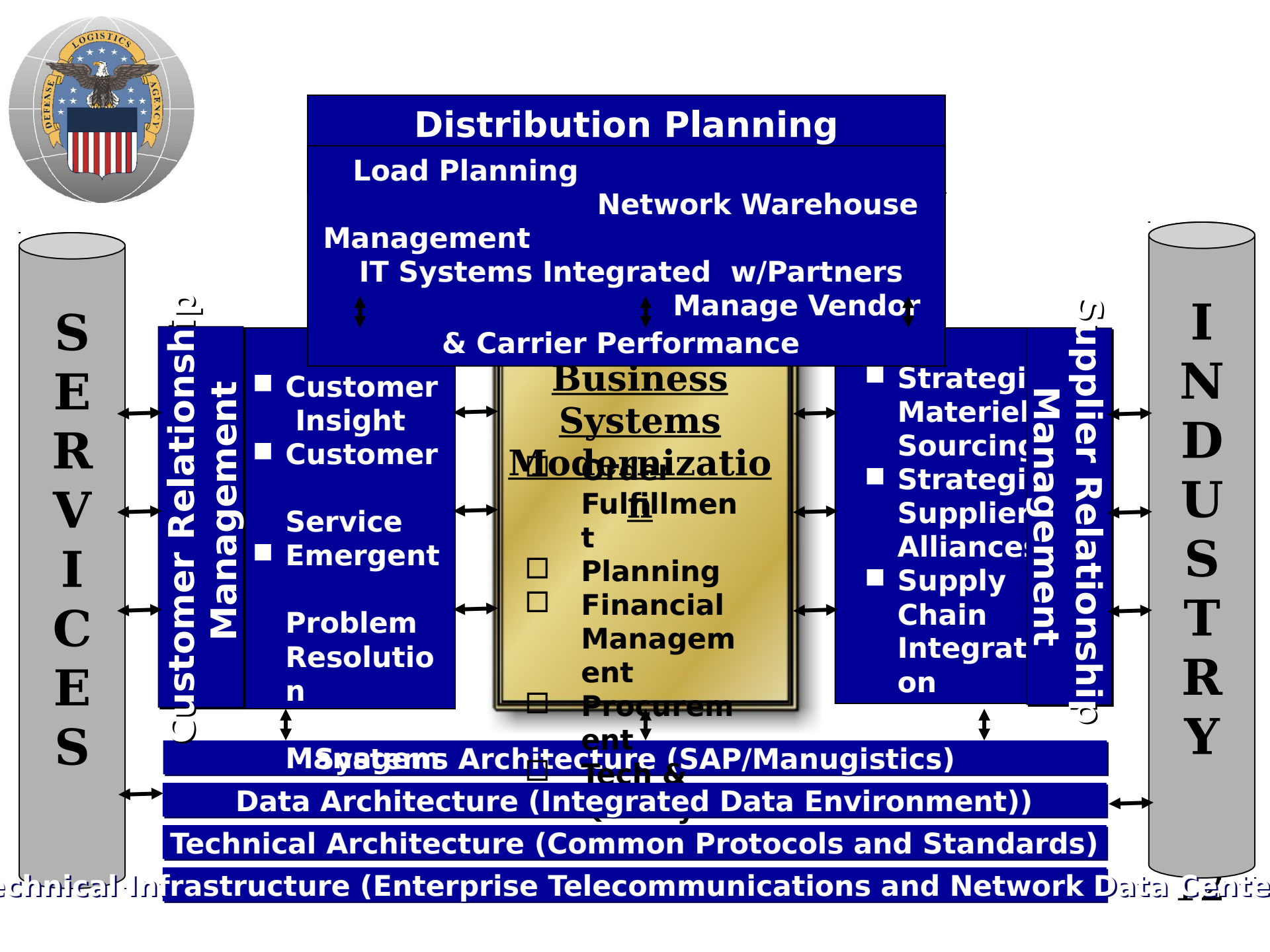
- **Supplier Relationship Management, … SRM**
  - **Strategic Material Sourcing: Long term contracts for 500,000 business driver line items: Assured availability, quality, cost**

The Transformation – Key Initiatives

- **Business Systems Modernization, … BSM**
  - **Re-engineering to best business practices: commercial & DoD**
  - **End-to-end ERP: Dramatically improved planning tools, CWT, data integrity, latency, flexibility, financial integrity, …**
  - **Mastering materiel information management**
- **Distribution Planning Management System**
  - **Global decision making & management for 23 depots**
  - **Robust material positioning & warehouse optimization**
  - **Mastering physical management of materiel**

Transformation Five Key Pillars




Distribution Planning
Load Planning
Network Warehouse Management
IT Systems Integrated w/Partners
Manage Vendor & Carrier Performance
SERVICES
INDUSTRY
Customer Relationship Management
Customer Insight
Customer
Service
Emergent
Problem Resolution
Business Systems Modernization
Order Fulfillment
Planning
Financial Management
Procurement
Tech &
Strategic Materiel Sourcing
Strategic Supplier Alliances
Supply Chain Integration
Supplier Relationship Management
Systems Architecture (SAP/Manugistics)
Data Architecture (Integrated Data Environment))
Technical Architecture (Common Protocols and Standards)
Infrastructure (Enterprise Telecommunications and Network

The Transformation – Key Initiatives

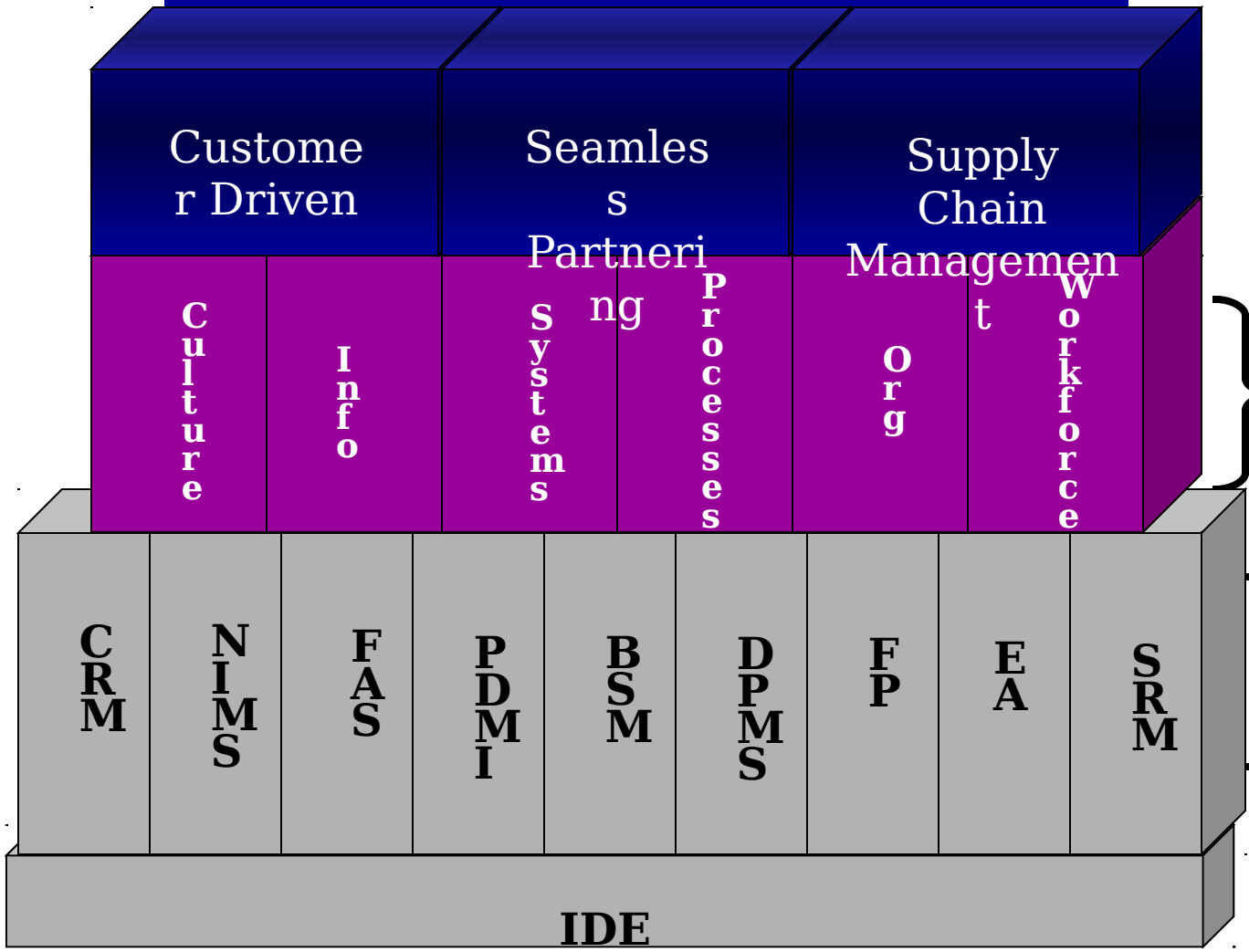
- **Forward Positioning**
  - **Pre-positioning to optimize readiness at least cost**
  - **OSD, Joint Staff, Service, TRANSCOM and DLA**

- **National Inventory Management Strategy**
  - **Collaborative inventory investment reduction effort**
  - **Rationalize levels and inventory management**
  - **Services and DLA**

The Transformation – Key Initiatives

- **Executive Agent**
  - **DLA-Services partnership to synchronize logistics for common materiel**
  - **Fuel, medical, subsistence and construction**
- **Product Data Management Initiative**
  - **Technical data – specifications, drawings and configuration data – associated with materiel the agency manages**
  - **Controlled, stratified access to data via linked data bases via single, virtual desktop**
- **Work Force Transformation**
  - **Transformation alters every facet of environment**

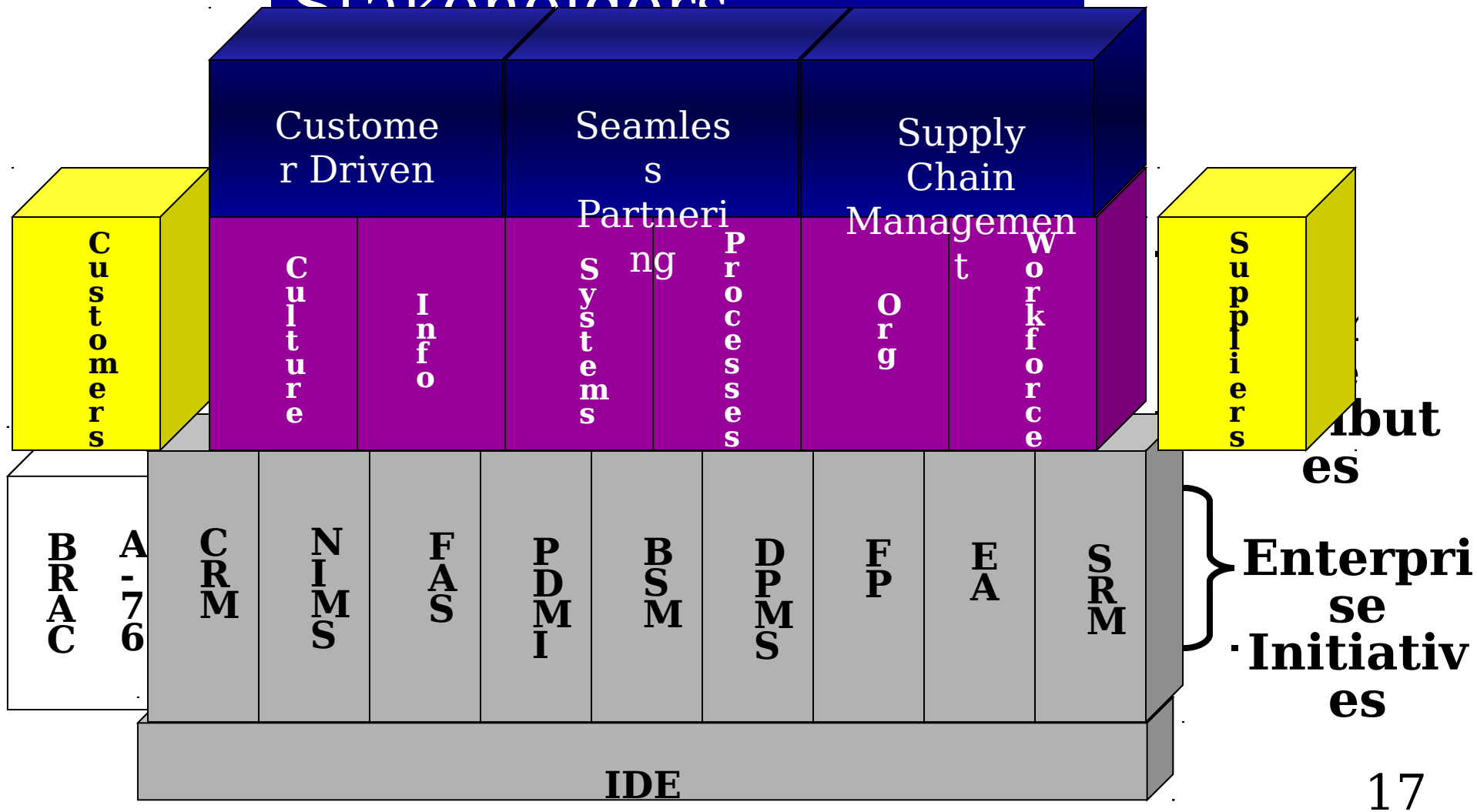
Transformation
The Whole Picture

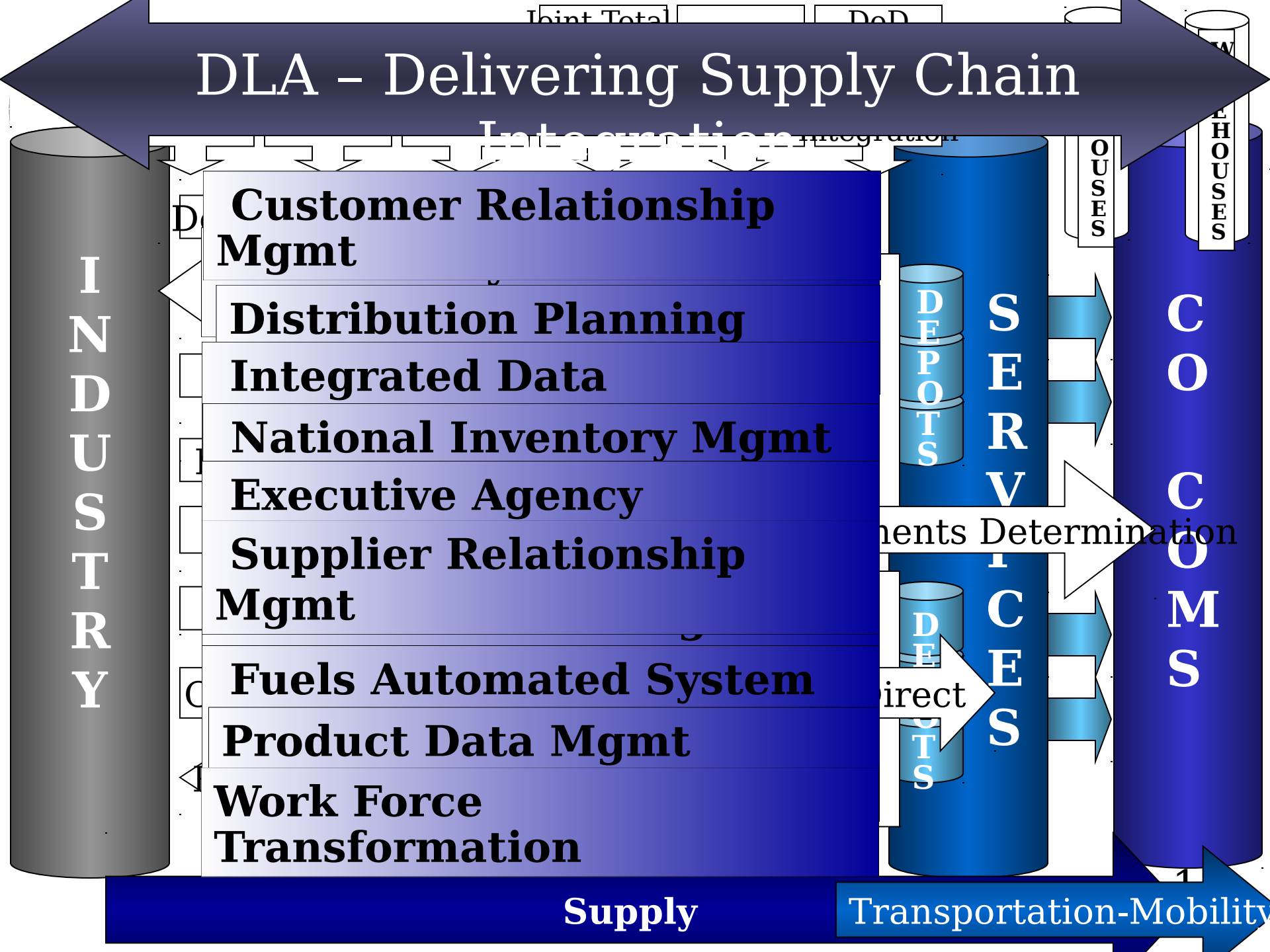


The Transformation – Key Initiatives

- **A-76**
  - **Non-core functions**
  - **Driving down cost**
- **BRAC 2005**
  - **Active participant in pre-BRAC deliberations**
  - **Influencing inputs – preparing the Agency**

Transformation Critical Stakeholders




DLA – Delivering Supply Chain
Integration
INDUSTRY
Customer Relationship Mgmt
Distribution Planning
Integrated Data
National Inventory Mgmt
Executive Agency
Supplier Relationship Mgmt
Fuels Automated System
Product Data Mgmt
Work Force Transformation
DEPOTS
SERVICES
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COCOMS
Supply
Transportation-Mobility

Transformation Initiatives

Business Systems Modernization

National Inventory Mgmt

Distribution Planning Mgmt

Forward Positioning

Customer Relationship Mgmt

Executive Agency

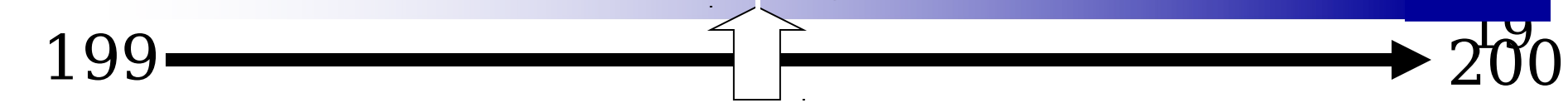
Product Data Mgmt

Integrated Data Environment

Work Force Transformation

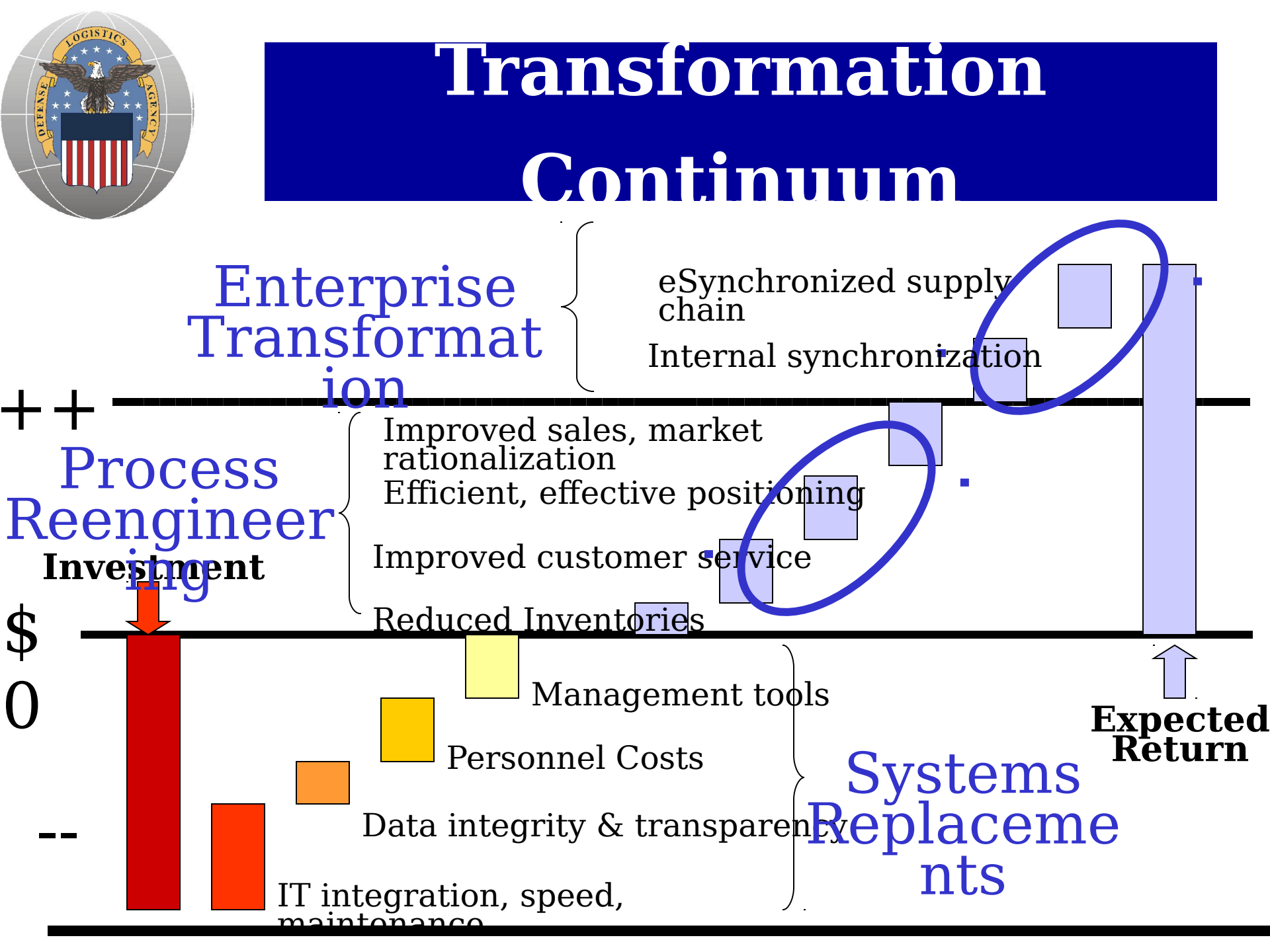
Supplier Relationship Mgmt

Fuels Automated System



Looking Ahead

Transformation Continuum



Summary

Bottom Line

- **Agency committed to delivering a large portfolio of transformational initiatives and to sustaining high levels of mission support**
- **Large scale implementation and associated benefits will occur on this "watch"**
- **The capability & flexibility to accommodate continually evolving war fighter and Service**